

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Assess and Revise the Regulation of Telecommunications Utilities.	Rulemaking 05-04-005 (Filed April 7, 2005)
Order Instituting Rulemaking on the Commission's own motion for the purpose of considering policies and guidelines regarding the allocation of gains from sales of energy, telecommunications, and water utility assets.	Rulemaking 04-09-003 (Filed September 2, 2004)
Order Instituting Rulemaking on the Commission's Own Motion to Assess and Revise the New Regulatory Framework for Pacific Bell and Verizon California Incorporated	Rulemaking 01-09-001 (Filed September 6, 2001)
Order Instituting Investigation on the Commission's Own Motion to Assess and Revise the New Regulatory Framework for Pacific Bell and Verizon California Incorporated.	Investigation 01-09-002 (Filed September 6, 2001)

**ADMINISTRATIVE LAW JUDGE'S RULING
DESIGNATING THE APPROPRIATE PROCEEDINGS
FOR CONSIDERING THE REGULATORY TREATMENT OF
GAIN ON SALE FOR INCUMBENT LOCAL EXCHANGE CARRIERS**

This Ruling designates the appropriate proceeding for considering the regulatory treatment of gain on sale (GOS) for incumbent local exchange carriers (ILECs). There is currently one proceeding that includes within its scope the

regulatory treatment of GOS for small ILECs, two proceedings that include the regulatory treatment of GOS for the mid-sized ILECs,¹ and three proceedings that include the regulatory treatment of GOS for the large ILECs.² These proceedings are summarized in the following table:

Proceedings That Address The Regulatory Treatment Of Gain on Sale			
	Gain-on-Sale Proceeding R.04-09-003	Uniform Regulatory Framework Proceeding R.05-04-005	New Regulatory Framework Proceeding for SBC & Verizon R.01-09-001/I.01-09-002
Small ILECs	X		
Mid-Sized ILECs	X	X	
Large ILECs	X	X	X

Considering the GOS issue for the large and mid-sized ILECs in multiple proceedings is inefficient and creates the risk of producing inconsistent results in different proceedings. Therefore, in order to act efficiently and coherently, the GOS issue for the large and mid-sized ILECs will henceforth be addressed in only one proceeding – R.05-04-005.

As noted previously, the regulatory treatment of GOS for the small ILECs is being considered in only one proceeding – R.04-09-003. It is appropriate to keep the small ILECs in R.04-09-003 instead of moving them to R.05-04-005 with the large and mid-sized ILECs. This is because the rate-of-return regulatory framework for the small ILECs has more in common with the regulatory

¹ The two mid-sized ILECs are SureWest Telephone and Frontier Communications of California, Inc.

² The two large ILECs are Pacific Bell Telephone Company d/b/a/ SBC California and Verizon California Inc. (Verizon).

framework for the other utilities that are parties to R.04-09-003 (i.e., the water, gas, and electric utilities) than it does with the price-cap regulatory framework for the large and mid-sized ILECs.

This Ruling is being issued with the knowledge and consent of the Commissioners and Administrative Law Judges assigned to the proceedings affected by this Ruling.

Therefore, **IT IS RULED** that:

1. The regulatory treatment of gain on sale (GOS) for the large and mid-sized incumbent local exchange carriers (ILECs) shall henceforth be considered in only Rulemaking (R.) 05-04-005.

2. The regulatory treatment of GOS for the small ILECs shall remain in R.04-09-003.

Dated June 17, 2005, at San Francisco, California.

/s/ TIMOTHY KENNEY

Timothy Kenney
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original Administrative Law Judge's Ruling Designating the Appropriate Proceedings for Considering the Regulatory Treatment of Gain on Sale for Incumbent Local Exchange Carriers on all parties of record in R.05-04-005, R.04-09-003, and R.01-09-001/I.01-09-002 or their attorneys of record.

Dated June 17, 2005, at San Francisco, California.

/s/ TERESITA C. GALLARDO
Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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